

## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

**Date Issued:** July 19, 2007

**IBA Report Number:** 07-73

**City Council Docket Date:** July 23, 2007

**Item Number:** 206

**Item:** Statement of Fiscal Year 2008 Budgetary Principles

The proposed Statement of Fiscal Year 2008 Budget Principles has been jointly developed by the Office of the IBA, the Chief Financial Officer, the Mayor's Office and the City Attorney's Office. This Statement of Budgetary Principles has been modeled after the intent and spirit of the Statement of Operating Principles that is guiding the working protocols and communication of the Internal Auditor, the Audit Committee and the Mayor's Office.

This proposal is a consensus document from these entities that focuses on setting budgetary operating principles, establishing budget authority regarding service levels and enhancing communication on management issues between the executive and legislative branches for FY 2008.

On June 20 and July 11, 2007, the Budget and Finance Committee reviewed and considered this proposal, and voted 4-1 to recommend that the City Council adopt the July 11, 2007 draft of the Statement of Fiscal Year 2008 Budgetary Principles, including the Service Reduction Criteria (attached).

The IBA recommends that this proposal be adopted as an accompanying resolution to the FY 2008 Appropriation Ordinance (AO) in order to preserve the intent of the AO as a true appropriation setting document rather than a policy document. Since this resolution speaks specifically to FY 2008 if approved, the City Council and Mayor will have an opportunity to consider its value and effectiveness for future years.

**[SIGNED]**

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Elaine DuVal  
Fiscal & Policy Analyst

**[SIGNED]**

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APPROVED: Andrea Tevlin  
Independent Budget Analyst

## **STATEMENT OF FISCAL YEAR 2008 BUDGETARY PRINCIPLES**

WHEREAS, pursuant to section 265(b)(15) of the City Charter the Mayor is required to propose a budget to the Council and make it available for public view no later than April 15 of each year; and

WHEREAS, on April 13, 2007, the Mayor released the Fiscal Year 2008 Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year 2008 Budget and discussed such budget at several public meetings beginning on April 25, 2007 and ending on May 23, 2007, and at such meetings members of the public were invited to comment on and ask questions about the Fiscal Year 2008 Budget; and

WHEREAS, on May 16, 2007, the Mayor delivered a supplementary budget report to the Council making technical changes to the Fiscal Year 2008 Budget; and

WHEREAS, on May 21, 2007, each Council member delivered his or her budgetary priorities for the Fiscal Year 2008 budget for review by the City's Independent Budget Analyst; and

WHEREAS, on June 6, 2007, the Budget and Finance Committee reviewed the Report of the Independent Budget Analyst, dated June 1, 2007, entitled "Recommended Changes to the Mayor's Proposed Fiscal Year 2008 Budget, and recommended adoption of the Mayor's Fiscal Year 2008 Budget, including certain amendments thereto; and

WHEREAS, on June 11, 2007 the Council approved the Fiscal Year 2008 Budget, together with certain amendments thereto, and forwarded the same to the Mayor for his consideration under Charter section 290(b)(2); and

WHEREAS, in accordance with Charter section 290(b)(2), on June 20, 2007 the Fiscal Year 2008 Budget became the controlling document for purposes of preparing the annual appropriation ordinance; and

WHEREAS, pursuant to Charter section 71 and 290(c), the Council is required to adopt an appropriation ordinance during the month of July to establish budgetary appropriations for the Fiscal Year 2008 Budget; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year 2008 Budget reflects the best estimate of the Mayor and the Council regarding projected revenues and expenditures and that such estimate is simply a financial plan that may require adjustments in view of the available resources; and

WHEREAS, this Statement of Budgetary Principles is intended to facilitate better communication on fiscal matters between the Council and the Mayor and to establish a

framework for the administration by the Mayor of the Fiscal Year 2008 Budget in light of the respective duties of the Mayor as Chief Executive Officer and Chief Budget Officer of the City, and the duties of the Council as the legislative and policy setting body of the City, and in light of the obligation of public officials to keep the public apprised of the conduct of the City's financial affairs;

Accordingly, the Mayor and the Council hereby agree to adhere to the following budgetary principles for the Fiscal Year 2008 Budget:

#### Fiscal Year 2008 Budget---Communication

1. The Mayor, or his designee, will provide reports to the Council on a quarterly basis regarding the administration of the affairs of the City. These reports can be given verbally, and are intended to improve the flow of information between the Mayor, Council and public.
2. The Council President will provide time on the Council's agenda for the Report of the Mayor.
3. Under pre-defined criteria as set forth below, the Mayor will provide Council with prior written notice of the elimination of any program or service funded by the Fiscal Year 2008 Budget. The notice shall describe with reasonable specificity the budgetary and/or fiscal rationale supporting the elimination of the program or service, and the service level impact, if any.
4. The Mayor will also provide Council with prior written notice of a material or significant reduction in any program or service affecting the community based on the criteria set forth below. Such notice will consist of a memo from the Mayor to the Council and the City Clerk describing the budgetary and/or fiscal reasons supporting the change, and the likely service level impact. Notwithstanding the forgoing, the Mayor need not give notice of any change or modification that results in a more efficient delivery of public services and that accomplishes the legislative intent.

Written notification of a service or program reduction will be triggered by criteria based on four categories of Activity Level (OCA) as identified in the City's Financial Accounting System and the corresponding size of the proposed service reduction:

Cost of Activity (OCA)	Up to \$2.0M	\$2.0M to \$5.0M	\$5.0M to \$10.0M	\$10.0 M Plus
Service Criteria Trigger	\$200,000+	\$500,000+	\$1.0M+	\$1.5M+

## Fiscal Year 2008 Budget---Appropriation Ordinance

- 1 Neither the Mayor nor the Council has unilateral authority to make changes to the spending authority contained in the Fiscal Year 2008 Budget.
- 2 The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year 2008 Budget, including the appropriations reflected in the Fiscal Year 2008 Appropriation Ordinance. However, the Mayor has discretion to effectively and efficiently spend public monies, and shall not be obligated to spend all the money the Council has appropriated if there is a less costly means of accomplishing the Council's stated purposes.
- 3 The Council shall have no authority to make or adopt changes to the Fiscal Year 2008 Budget without first receiving a funding recommendation of the Mayor. The Mayor will provide such funding recommendation within 30 calendar days of the Council request, or such later period as contained in the request of the Council.
4. In accordance with Charter sections 28 and 81, the Mayor has the authority to allocate Fiscal Year 2008 Budget appropriations within departments in order to best carry out the Council's legislative intent.
5. The Appropriation Ordinance implements the Fiscal Year 2008 Budget, as approved by the Council. The Appropriation Ordinance shall specify the spending authority by Department and by Fund, and all other conditions, authorizations and requirements appropriate therefore. The Appropriation Ordinance will include necessary budget delegation to carry out the business of the City; provided however, the Appropriation Ordinance will not include Policy directions.
6. The Council may restore a program or service which has been recommended for elimination or reduction by the Mayor by docketing and considering such action upon the request of four Council members.

The Statement of Budgetary Principles applies to departments and programs that are under the direction and authority of the Mayor, and shall not apply to offices independent of the Mayor. This Statement of Budgetary Principles is subject in all respects to the provisions of the City Charter.

## EXAMPLES

### COST OF ACTIVITIES\*

**\$0 - \$2.0 Million Range**

**\$200,000 Notification Trigger**

Park & Rec	Turf Maintenance	\$2.0 M
Park & Rec	Balboa Park – Facilities Mgmt.	\$1.8 M
Storm Water	Investigations & Enforcement	\$1.7 M
Streets	Concrete Streets/Alley Maint.	\$1.7 M
Police	NPST Crime Prevention	\$1.6 M
Streets	Traffic Signs	\$1.5 M
SD Fire & Rescue	EMS	\$1.4 M
Library	Fundraising	\$1.4 M
Planning	Community Support	\$1.3 M
Streets	Median Maintenance	\$1.3 M
NCCompliance	Graffiti	\$1.2 M
Police	Juvenile Administration	\$1.2 M
SD Fire & Rescue	Communications	\$1.2 M
Library	Central Library Support	\$1.1 M
Park & Rec	Aquatics Safety Inspections	\$1.0 M
Park & Rec	Park Forestry	\$1.0 M
Park & Rec	Mission Trails Park Mgmt.	\$969,000
Streets	Pot Hole Patching	\$909,000
Park & Rec	Park Ranger Program	\$905,000
SD Fire & Rescue	Special Operations	\$849,000
Park & Rec	Park Planning	\$768,000
Park & Rec	Therapeutic Recreation	\$695,000
Park & Rec	After School Playground Program	\$689,000
Police	Recruitment	\$657,000
SD Fire & Rescue	HAZMAT	\$599,000
SD Fire & Rescue	Lifeguard Administration	\$591,000
Police	Northwest Patrol	\$534,000
Family Justice Center	Client Services	\$521,000
Library	READ SD Literacy	\$504,000
Park & Rec	Recreation Facility	\$499,000
Planning	Community Plan Updates	\$402,000

\* As represented in the City's AMRIS accounting computer system.

## EXAMPLES

### COST OF ACTIVITIES\* \$2 - \$5.0 Million Range \$500,000 Notification Trigger

<u>Department</u>	<u>Activity</u>	<u>Cost (CAO)*</u>
Streets	Asphalt/Alley Maintenance	\$5.0 M
Park & Rec	Mowing	\$4.9 M
Storm Water	Public Education	\$4.8 M
SD Fire & Rescue	Dispatch	\$4.6 M
Park & Rec	CPII Recreation Centers	\$4.1 M
Park & Rec	CPI Centers	\$3.8 M
Planning	Small Business	\$3.6 M
SD Fire & Rescue	Inspection Services	\$3.6 M
Park & Rec	Grounds Maintenance	\$3.3 M
Police	Economic Crimes	\$3.3 M
Police	Special Investigations	\$3.2 M
Park & Rec	BSP Bench Maintenance	\$3.2 M
Streets	Street Sweeping	\$3.2 M
SD Fire & Rescue	Helicopter	\$3.1 M
Police	Domestic Violence	\$3.1 M
Police	Air Support	\$3.0 M
Police	Criminal Intelligence	\$2.9 M
Park & Rec	Swimming Pool Operations	\$2.9 M
Streets	Street Tree Maintenance	\$2.7 M
Police	Robbery	\$2.7 M
Police	SWAT	\$2.4 M
Library	Technical Support	\$2.2 M
NCCompliance	Bldg/Housing Code	\$2.2 M
NCCompliance	Land Development/Zoning	\$2.1 M

\* As represented in the City's AMRIS accounting computer system

**EXAMPLES**

**COST OF ACTIVITIES\***  
**\$5.0 - \$10.0 Million Range**  
**\$1.0 Million Notification Trigger**

<b><u>Department</u></b>	<b><u>Activity</u></b>	<b><u>Cost (CAO)*</u></b>
Police	Crime Lab	\$8.6 M
Park & Rec	CPI Park Maintenance	\$7.8 M
Park & Rec	CPII Park Maintenance	\$7.3 M
Police	Parking Enforcement	\$6.8 M
Streets	Traffic Signals Maintenance	\$6.7 M
Storm Water	Receive Water Monitoring	\$6.4 M
Storm Water	Watershed Coordination	\$6.3 M
Library	Central Library Subject Secs.	\$5.7 M
Police	Homicide	\$5.3 M
Police	Narcotics	\$5.3 M
Police	Gangs	\$5.2 M
Streets	Street Lights	\$5.1 M

\* As represented in the City's AMRIS accounting computer system.

**EXAMPLES**

**COST OF ACTIVITIES\***  
**\$10.0 Million + Range**  
**\$1.5 Million Notification Trigger**

<b><u>Department</u></b>	<b><u>Activity</u></b>	<b><u>Cost (CAO)*</u></b>
Env Svcs	Refuse Collection	\$37.2 M
Streets	Clean/Inspect Structures	\$22.5 M
Police	Traffic	\$19.8 M
Police	Southwestern Patrol	\$18.9 M
Library	Branches	\$17.5 M
Police	Northeast Patrol	\$16.8 M
Police	East Patrol	\$16.7 M
Police	Southern Patrol	\$16.6 M
SD Fire & Rescue	Emergency Operations	\$13.2 M
Police	Communications	\$11.6 M
Police	Ocean Front Operations	\$11.1 M

\* As represented in the City's AMRIS accounting computer system



### **Proposed "Cap" Language**

Notwithstanding anything herein to the contrary, the Mayor shall provide written notice to the Council as soon as practicable when the cumulative amount of Fiscal Year 2008 budgetary reductions undertaken for fiscal reasons reaches [3]% of the General Fund of the City, or any other Major Fund of the City. Such notice shall describe the nature of the budgetary reductions, the fiscal reasons therefore, and the impact on City services, if any. For purposes of this paragraph, Major Fund of the City shall mean the Water Enterprise Fund, the Sewer Enterprise Fund.